



**STATEMENT OF PHILIP B. GLAIZE, JR.  
PAST CHAIRMAN,  
U.S. APPLE ASSOCIATION**

**BEFORE THE**

**SUBCOMMITTEE ON COMMERCE, JUSTICE, STATE AND JUDICIARY  
HOUSE APPROPRIATIONS COMMITTEE**

**MAY 22, 2003**

I am Phil Glaize, past chairman of the U.S. Apple Association (USApple) and the Virginia Apple Growers Association. I am a third-generation apple grower from Winchester, Va., where I manage 1,000 acres of apple orchards in Virginia and Pennsylvania. We also operate an apple cold storage facility and a packing operation, so that we can market directly to retailers and processors. The U.S. Department of Agriculture (USDA) frequently purchases our apples for use in the school lunch and other federal feeding programs. We are proud of our apples, which are excellent quality and an outstanding source of good nutrition.

USApple represents the entire U.S. apple industry on issues of national interest, and works to increase demand for apples and apple products through our programs. Our members include American apple growers, packers, shippers, processors and exporters. USApple strives to provide all segments of the apple industry the opportunity to profitably produce and market American apples and apple products.

Apples are grown commercially in 36 states, with the majority of the crop produced in Washington state, Virginia, Michigan, New York, Pennsylvania and California. Last year, the crop size was reduced 9 percent due to drought and freeze, but in 2001 U.S. apple growers produced a 230 million bushel crop, with a farm-gate value of \$1.5 billion. While Virginia produces both fresh and processing apples, the majority of apple growers in our state produce processing apples for applesauce, sliced apples for baking, and juice apples for apple juice.

A flood of cheap apple juice concentrate imports, driven by the People's Republic of China, has significantly reduced prices U.S. growers receive for their processing apples since the late 1990s. Processing apple prices are the foundation of the industry's entire price structure, and these imports are weakening the economic health of the entire apple industry. For example, imports of apple juice concentrate from China increased over 2,000 percent from 1995-98, while the price for Chinese concentrate delivered to U.S. docks fell 53 percent, from \$7.65 per gallon to \$3.57 per gallon. China's share of the U.S. concentrate market increased from 1 percent in 1995 to 18 percent in 1998. Concentrate prices around the world fell accordingly, as China's excess

703 442-8850  
800 781-4443  
fax 703 790-0845  
Web site [www.usapple.org](http://www.usapple.org)

8233 Old Courthouse Road, Suite 200 ★ Vienna, VA 22182-3816 USA

## **TESTIMONY OF PHILIP B. GLAIZE, JR.**

**May 22, 2003**

**Page 2**

production drove down world prices. U.S. concentrate producers were forced to slash their finished goods prices, and to drastically reduce the price they paid growers for U.S. juice apples. This has significantly harmed apple growers in Virginia and across the country. Processing-apple prices are the foundation of our industry's price structure, and as apple juice concentrate prices fall drastically, so do prices for U.S. fresh-market and processing apples.

In response to this surge in unfairly-priced apple juice concentrate from China and economic injury to U.S. producers, the USApple-administered Coalition for Fair Apple Juice Concentrate Trade (FACT) sought to level the playing field by seeking import relief under U.S. trade law. In June 1999, USApple's FACT filed an antidumping petition with the U.S. government, and shortly thereafter received a unanimous ruling finding domestic injury from the International Trade Commission. In response to our dumping complaint, the Department of Commerce in May 2000 levied import duties of 51.74 percent on most Chinese apple juice concentrate imports. A month later, Chinese producers appealed the ruling, and in June 2002 the Court of International Trade (CIT) remanded the Commerce Department's dumping order back to the department for reconsideration of several issues, including its choice of surrogate market economy. Because China is a non-market economy, a surrogate market economy is used to construct the cost of producing apple juice concentrate in China.

As a result of the remand, the Commerce Department abandoned its initial choice of India as the surrogate market economy. In November 2002, Commerce announced its decision to choose Turkey as the surrogate market economy, even though the U.S. apple industry strongly favored the choice of Poland. Despite the fact that Turkey and Poland lined up as near equals in all concerns, Commerce seems to have overlooked the interests of the U.S. apple industry.

Commerce's choice of surrogate market economy has had a harmful impact on our antidumping case. Selection of Turkey led the Commerce Department to propose elimination of dumping duties for five of the nine Chinese apple juice concentrate-producing companies participating in Commerce's investigation, leaving four companies with 28.33 percent import duties and the rest at 51.74 percent. Once finalized by the CIT, companies with zero dumping rates will not be subject to Commerce's annual administrative reviews, so they will be free to reduce apple juice concentrate prices as low as they want without fear of future antidumping consequences. Commerce's decision to choose Turkey as the surrogate market economy country tips the playing field in favor of Chinese producers, taking money out of the pockets of U.S. apple growers.

U.S. apple growers believe that Commerce's decision making process in choosing Turkey as the surrogate market economy in our case was arbitrary and illustrates the nature of what should be a more reasoned process to support the needs and interests of the U.S. industry.

As an apple grower, this process was particularly troubling to me because the decision on which surrogate country to choose was a close call. The Commerce Department was well informed about the economic harm to our industry being caused by Chinese imports. Commerce should have used this opportunity to safeguard American interests, but instead sided with Chinese apple growers, processors and exporters.

As we understand it, Commerce considers two main factors when choosing a surrogate country for a non-market economy such as China: whether the candidate country has a comparable level of economic development, in terms of gross national product (GNP); and whether the candidate country is a significant producer of the product under challenge.

## TESTIMONY OF PHILIP B. GLAIZE, JR.

May 22, 2003

Page 3

Commerce's surrogate country decision came down to Turkey versus Poland. USApple argued that Poland merited selection as the surrogate market economy for several reasons. First, Commerce found that Poland is by far a more significant producer of apple juice concentrate, producing at least 100 percent more than Turkey (USDA reported 633 percent more). Neither country had a GNP comparable to China, with China at \$750 per capita in 1998 versus Turkey at \$3,198 and Poland at \$3,900 per capita. Commerce itself stated in its Nov. 6, 2002, draft report to the CIT that it intended to place "greater emphasis on the significant producer criterion" and that "Poland is to be preferred to Turkey simply because Poland is a more significant producer." However, Commerce contradicted itself in the same document, saying "where we have to choose between two countries that are not comparable to the [non-market economy], we believe it is better to choose a country that is closer in economic terms."

When Commerce chose Turkey, it ignored its own stated priority decision-driver, i.e. significant production. Instead, Commerce selected Turkey using its less important criterion, i.e. economic comparability, which is actually statistically the same for the two countries. Commerce's arbitrary use of its independent discretion in conducting this investigation resulted in an illogical result, which has had devastating results for U.S. apple growers and concentrate producers.

Other problems have plagued this case. The surrogate country decision was especially adverse because Commerce used Turkish apple juice price data that was of insufficient quality and scope. Commerce was aware of this qualitative difference. Commerce relied on price data for Turkish apple juice submitted by Chinese producers that selectively omitted some important producing regions in Turkey, covered only one producer and was distorted by government agricultural subsidies. These combined factors led Commerce to calculate unreasonably low estimated costs of concentrate production, leading Commerce to recommend the elimination and reduction of most import duties to the CIT, as mentioned above.

In contrast, we provided accurate and complete data on the Polish industry, and encouraged Commerce to confirm this information through the U.S. Embassy in Warsaw. More than once, we provided Commerce with contact information for the appropriate office in the Office of the Agricultural Attaché in the U.S. Embassy, who was prepared to provide the information upon request. We are unaware that Commerce contacted the U.S. Embassy to confirm the information.

To illustrate the impact of this case in today's apple market in the United States, a major apple processor on the East Coast is advising its farmer members that the industry has lost its protection against cheap Chinese concentrate, and that concentrate shipped into the United States in coming year will be significantly lower-priced. This is expected to drag the pricing structure of all U.S. apples down. Consequently, this processor is encouraging its grower-suppliers to aggressively thin their trees this year to maximize production of large-size apples, best used for sauce and slice production, and to minimize production of smaller juice-type apples, which will hopefully allow the grower to better withstand expected downward price pressures.

With regard to concentrate import duties, it is important to the U.S. apple industry that the duties in place not be circumvented. However, it has been difficult to monitor circumvention activities because unexpected changes in the harmonized tariff schedule have resulted in unreliable import data over the past 18 months. We have asked the International Trade Commission's Committee for Statistical Annotation of Tariff Schedules to consider revising the harmonized tariff schedule,

**TESTIMONY OF PHILIP B. GLAIZE, JR.**

**May 22, 2003**

**Page 4**

so that our industry will be able to track imports of frozen apple juice concentrate, which are not subject to antidumping duties. Some members of our industry suspect that Chinese apple juice concentrate exporters may be circumventing antidumping duties by declaring their concentrate imports to be frozen concentrate, when in fact the product being imported is actually regular apple juice concentrate that has simply been refrigerated. It is our hope that the tariff schedule committee will revise the harmonized tariff schedule, so that we can more easily track imports of apple juice concentrate.

U.S. apple growers believe that in antidumping cases such as ours, the Commerce Department should be an advocate for U.S. industry when the facts allow it. Its evaluation should be based on a solid foundation of data and analysis. For this reason, we urge this subcommittee to consider several recommendations for improvement in the department's handling of Chinese anti-dumping duty investigations and reviews.

1. Establish a separate office with sufficient resources within the Commerce Department to handle antidumping petitions against China and subsequent administrative reviews. Staff should include seasoned professionals with expertise in China, including an accountant for each case with training to work on non-market cost analysis. In agricultural cases, this office should be required to consult with USDA to fully utilize that department's domestic and foreign expertise on industry structure, prices and practices.
2. Before the Commerce Department moves forward with a case, it should require a foreign exporter to assume the burden of proof by having to provide evidence that its facts are true and robust in scope in dumping investigations.
3. In the case of "new shipper" reviews, such shippers should have to satisfy the dumping duty deposit requirement in cash rather than with a bond. This would ensure that such companies are bona fide and sufficiently capitalized.

In conclusion, we strongly disagree with the Commerce Department's decisions with regards to our antidumping case against below-cost imports of Chinese apple juice concentrate, and believe that the U.S. government should instead act fairly and responsibly to support the interests of domestic industries. Unfortunately, I fear that the Commerce Department's action will help Chinese apple producers and processors at the expense of the U.S. industry, which needs and deserves protection from unfair Chinese concentrate imports. We are vigorously exploring and are prepared to act upon other means, including U.S. government initiatives, to keep dumped concentrate from further harming the already-beleaguered U.S. apple industry.

Thank you, Mr. Chairman. I would be pleased to answer any questions you may have.